

Message Text

PAGE 01 THE HA 05480 01 OF 03 131601Z

46

ACTION EA-14

INFO OCT-01 EUR-25 IO-14 ISO-00 IGA-02 AGR-20 CEA-02

CIAE-00 COME-00 DODE-00 EB-11 FRB-02 H-03 INR-10

INT-08 L-03 LAB-06 NSAE-00 NSC-10 PA-04 RSC-01 AID-20

CIEP-02 SS-20 STR-08 TAR-02 TRSE-00 USIA-15 PRS-01

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R 131420Z DEC 73

FM AMEMBASSY THE HAGUE

TO SECSTATE WASHDC 2584

INFO AMEMBASSY TOKYO

AMEMBASSY JAKARTA

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E.O. 11652: N/A

TAGS: EAID, ID

SUBJECT: REPORT ON 15TH MEETING OF INTER-GOVERNMENT GROUP
ON INDONESIA, DEC 11-12, 1973

REF: HAGUE 5442 AND 5443 (NOTAL)

POUCHED TO FOLLOWING: AMEMBASSIES BERN, BONN, BRUSSELS, CANBERRA
COPENHAGEN, LONDON, MANILA, OSLO, OTTAWA, PARIS, ROME, VIENNA
WELLINGTON, USMISSION OECD PARIS

SUMMARY: OVERALL IMPRESSION APPARENTLY EMERGING FROM MEETING IN
MINDS IGGI REPRESENTATIVES WAS THAT INDONESIA MAY BE ON THRESHOLD
OF TURNING POINT ON NEED FOR CONCESSIONAL AID DUE TO RAPID GOI
IMPROVEMENT IN BOP PERFORMANCE AND PROSPECTS FOR MODERATE
TO SHARP INCREASE IN OIL PRICES. FUTURE PROGRAM AID MAY
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PAGE 02 THE HA 05480 01 OF 03 131601Z

DECLINE AND INDONESIA MAY BECOME MORE INDEPENDENT OF IGGI ADVICE.
IN DEPARTURE FROM NORMAL PROTOCOL, CHAIRMAN PRONK IN OPENING
STATEMENT MENTIONED POLITICAL PRISONERS AND WIDJOJO IN HIS CLOSING
STATEMENT RESPONDED OBLIQUELY BY SAYING IMPOSITION OF

CONDITIONS SHOULD BE AVOIDED. BUT ALL DELEGATIONS AGREED \$850 MILLION REQUEST APPEARED APPROPRIATE WITH UK ESSENTIALLY AND JAPANESE ESPECIALLY RESERVING UNTIL MAY PLEDGING SESSION UNTIL WHICH TIME THEY WOULD WATCH BOP PAYMENTS CLOSELY. US JOINED IN BANK/FUND ENDORSEMENT OF AID REQUEST, ACKNOWLEDGING PROMISING PROSPECTS BUT STRESSING NEED TO PRESERVE MOMENTUM ESPECIALLY THIS YEAR WHEN ALL ECONOMIC PROJECTIONS MURKY. PROBLEM PERTAMINA BORROWING SIDE-STEPPED BY IBRD AND IMF WHILE GOI TREADED GINGERLY BY REFERRING QUESTIONS TO IBRD AND IMF REPORTS. US PLEDGED \$233 MILLION UNDER MODIFIED ONE-THIRD FORMULA, (ONE-THIRD TOTAL BILATERAL AID OF \$700 MILLION (RATHER THAN ONE-THIRD OF \$600 MILLION NON-FOOD BILATERAL AID AND "FAIR SHARE" OF FOOD AID), AND ANNOUNCED READINESS TO PROVIDE LOCAL COST FINANCING. JAPAN SAID COULD PROVIDE NO FOOD DURING FY 1974/75. PRONK INITIATED DISCUSSION ON IMPACT OF DONOR TRADE POLICIES ON INDONESIAN DEVELOPMENT, AND UK, US, SWISS AND OTHERS OPPOSED SUCH DISCUSSION WITHIN IGGI ON GROUND OTHER FORA MORE APPROPRIATE. SECOND FIVE YEAR DEVELOPMENT PLAN BEGINNING FY 74/75 WILL SHIFT EMPHASIS FROM INFRASTRUCTURE REHABILITATION TO SOCIAL DEVELOPMENT. WIDJOJO THANKED MEMBERS FOR THEIR SUPPORT. END SUMMARY.

1. OPENING STATEMENT. IN REMARKS OPENING FIFTEENTH IGGI CONFERENCE, DUTCH MINISTER FOR DEVELOPMENT COOPERATION PRONK, AS MIGHT HAVE BEEN ANTICIPATED, ASSERTED AS A GENERAL PROPOSITION THAT INTERNATIONAL DEVELOPMENT AID HAD NOT LED TO REAL DEVELOPMENT AND STRESSED NEED FOR EQUITY AS WELL AS GROWTH IN ECONOMIC DEVELOPMENT. HE CALLED FOR IGGI STUDY OF ALL FACTORS BEARING ON INDONESIAN DEVELOPMENT, INCLUDING TRADE AND INVESTMENT POLICIES OF DEVELOPED AS WELL AS DEVELOPING NATIONS.

2. IN COURSE OF COMMENTS ON DILEMMAS INDONESIA FACES IN DEVELOPMENT PROCESS, PRONK MENTIONED POLITICAL PRISONER PROBLEM (HAGE 5442) AND MADE POINTED COMMENT THAT "POLITICAL STABILITY MAY BE A PREREQUISITE FOR DEVELOPMENT BUT MAY ON THE OTHER HAND LIMIT FULL PARTICIPATION BY THE PEOPLE, WHICH IS ANOTHER PREREQUISITE FOR DEVELOPMENT". IN MORE POSITIVE VEIN, HE SAID DURING RECENT VISIT INDONESIA HE GOT IMPRESSION GOI PLACES HIGH LIMITED OFFICIAL USE
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PAGE 03 THE HA 05480 01 OF 03 131601Z

PRIORITY ON BETTER DISTRIBUTION BENEFITS OF DEVELOPMENT.

3. GOI STATEMENT. PICKING UP SOME OF PRONK'S THEMES, WIDJOJO IN HIS OPENING REMARKS STRESSED GOI FUTURE EMPHASIS ON MORE EQUITY IN DEVELOPMENT, GIVING HIGH PRIORITY TO EMPLOYMENT CREATION, EDUCATION, HEALTH, AND REGIONAL DEVELOPMENT. HE ALSO CALLED FOR REDUCTION OF TARIFF AND NON-TARIFF BARRIERS TO INDONESIAN EXPORTS AND FURTHER UNTYING OF AID. NOTING INCREASED GOI REVENUES, PARTICULARLY IN OIL SECTOR, WIDJOJO SAID GOI "SUBSCRIBES TO THE IDEA OF GRADUALLY REDUCING PROGRAM AID" AND OBSERVED THAT CAUTIOUS BEGINNING MADE THIS YEAR WITH REDUCED PROGRAM AID REQUEST. HE ALSO REITERATED GOI WELCOME FOR FOREIGN INVESTMENT, BUT ON A

MORE SELECTIVE AND MUTUALLY BENEFICIAL BASIS.

4. IMF REPORT. IMF DELEGATE ABADJIS NOTED INDONESIA ACHIEVED SATISFACTORY RATE OF ECONOMIC GROWTH, REFLECTING IMPROVEMENT IN AGRICULTURAL PRODUCTION AND SUSTAINED EXPANSION OF INDUSTRIAL, OIL, AND FORESTRY SECTORS. BOTH EXPORTS AND IMPORTS INCREASED SUBSTANTIALLY AND INTERNATIONAL RESERVES CONTINUED TO GROW. SUBSTANTIAL RICE IMPORTS ARE STILL REQUIRED AND INCREASES IN RICE SUPPORT PRICES SHOULD PROVIDE INCENTIVES TO EXPAND PRODUCTION. IMF WELCOMED FLEXIBILITY INTRODUCED INTO RICE PROCUREMENT PROCEDURES AND AGREED WITH GOI DECISION NOT TO ANNOUNCE RETAIL CEILING PRICE ON RICE UNTIL ASSESSMENT MADE OF WORLD DEMAND AND SUPPLY SITUATION. IMMEDIATE PROBLEM FACING AUTHORITIES IS CONTAINMENT OF INFLATIONARY PRESSURES THROUGH POLICIES OF RESTRAINT IN FISCAL AND MONETARY FIELDS. GIVEN HIGH RATE OF INFLATION, CREDIT RESTRAINTS RECENTLY ADOPTED WERE WELCOMED, ALONG WITH STEPS TAKEN TO STRENGTHEN CONTROL OVER INFLOW OF FOREIGN CAPITAL THROUGH BANKING SYSTEM. IMF DELEGATE NOTED THAT AUTHORITIES' ABILITY TO CONTROL CREDIT WOULD BE IMPROVED IF PERTAMINA WERE TO SUBSTITUTE DOMESTIC BORROWING FOR ITS SUBSTANTIAL SHORT-TERM FOREIGN CASH BORROWINGS.

5. REVISED ESTIMATES FOR 1973/74 BUDGET INDICATE SUBSTANTIALLY HIGHER REVENUES AND EXPENDITURES THAN ESTIMATED IN FEBRUARY 1973. CORPORATE TAX REVENUE FROM FOREIGN OIL COMPANIES EXPECTED TO INCREASE BY 74 PERCENT AND OTHER TAXES ON INCOME BY 51 PER CENT. IMF WELCOMED ELIMINATION OF COTTON SUBSIDY AND STATED THAT SUBSIDY ON WHEAT IMPORTS SHOULD BE REDUCED.

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PAGE 04 THE HA 05480 01 OF 03 131601Z

6. REVISED BALANCE OF PAYMENTS ESTIMATES FOR 1973/74 INDICATE OVERALL SURPLUS OF \$229 MILLION. OFFICIAL BOP PROJECTIONS FOR 1974/75 SHOW 35 PER CENT INCREASE IN DEFICIT ON GOODS AND SERVICES. NET OIL EXPORT RECEIPTS ARE PROJECTED TO RISE 67 PER CENT, BUT NON-OIL EXPORTS ONLY A SMALL INCREASE. EXPECTED INCREASE IN NET INTERNATIONAL RESERVES DURING 1974/75 IS \$194 MILLION. INDONESIA HAS CONTINUED TO MAINTAIN PAYMENTS SYSTEM VIRTUALLY FREE OF RESTRICTIONS, BUT, TO MAINTAIN SUCH A SYSTEM, STRONG INTERNATIONAL RESERVE POSITION IS REQUIRED. IMF NOTED THAT INDONESIA'S AID REQUEST FOR 1974/75 CONSISTS OF PROGRAM AID OF \$300 MILLION, OF WHICH \$100 MILLION COMPRISES FOOD AID, AND BUDGET AID OF \$550 MILLION. IN VIEW OF INCREASE IN BUDGETARY REVENUES, PARTICULARLY FROM OIL, GOI SHOULD BE IN BETTER POSITION TO FINANCE INCREASING PROPORTION OF DEVELOPMENT EXPENDITURES BY PUBLIC SAVINGS. PROGRAM AID REQUEST FOR 1974/75 IS APPRECIABLY LOWER THAN AMOUNT REQUESTED IN 1973/74 AND AMOUNT REQUESTED CONSIDERED REASONABLE.

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PAGE 01 THE HA 05480 02 OF 03 131617Z

46

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7. IBRD REPORT. WORLD BANK DELEGATE GORDON GENERALLY CONCURRED IN
AND ECHOED MAIN JUDGEMENTS CONTAINED IMF REPORT WITH SPECIAL REFERENCE

TO PROBLEM OF RICE SUPPLY AND PRICES AND APPARENT INDONESIAN RECOVERY
FROM RICE CRISIS. REFERENCE WAS MADE TO EXPORT BOOM AND DOMINANT
ROLE OF OIL EXPORTS AND RISING OIL PRICES. GREATLY INCREASED
IMPORT PRICES JUSTIFY SUBSIDIES ON SOME ITEMS BUT PROBABLY NOT
GASOLINE. HIGHER TAXATION OF LUXURY ITEMS WAS ENCOURAGED. SECOND
FIVE YEAR PLAN WILL BEGIN WITH STRONG BALANCE OF PAYMENTS AND
RESERVE POSITION AND SHARPLY RISING BUDGETARY RESOURCES. BANK
DELEGATE NOTED PAST EMPHASIS ON REHABILITATION AND INCREASING
EMPHASIS ON RURAL AND SOCIAL SECTORS. HE ALSO NOTED GROWING
NEED FOR MORE CONVENTIONAL SOURCES OF INTERNATIONAL FINANCING
AND INDONESIAN CAPACITY TO AFFORD SUCH BORROWING AS EXPORT EARNINGS
RISE. BANK ENDORSED LEVEL OF GOI AID REQUEST.

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PAGE 02 THE HA 05480 02 OF 03 131617Z

8. ECONOMIC DEVELOPMENTS SINCE MAY 1973 MEETING. CHAIRMAN PRONK
DIVIDED THIS AGENDA ITEM INTO 5 DISCUSSION AREAS: AGRICULTURE,
INDUSTRY, FISCAL/MONETARY, TRADE AND BALANCE OF PAYMENTS.

9. AGRICULTURE. USDEL NOTED EXCESSIVE SUBSIDIES INHIBITING
PRODUCTION INCENTIVES AND BURDENING BUDGET. ALSO NOTED FERTILIZER

SHORTAGE. OTHER DONORS INQUIRED ABOUT FLOOR-CEILING RICE PRICES AND TIMBER STRIPPING. INDONESIAN DELEGATION REPLIED THAT CONCESSIONAL RATES FOR FERTILIZER AND BIMAS CREDIT MORE THAN OFFSET RICE SUBSIDIES AND PROVIDE NET RICE PRODUCTION INCENTIVES. NEW FERTILIZER CAPACITY OUTLINED WITH EXPECTATION THAT INDONESIA WILL ATAIN SELF SUFFICIENCY BY END OF SECOND FIVE-YEAR PLAN. BANK INDONESIA GOV SALEH INFORMED MEMBERS THAT PRESENT RICE FLOOR PRICE OF RP 52 PER KILO SHOULD RISE TO RP 68-72 DURING FY 1974/75 WHILE CEILING PRICE SHOULD REMAIN AT PRESENT LEVEL OF RP 100 IN JAVA AND RP 120 ELSEWHERE. ON LOGGING PRACTICES, GOI PLANS TO TOUGHEN CONTROL MEASURES BY IMPROVING TRAINING WITH ASSISTANCE FROM CANADA. HOWEVER DEVELOPMENT OF ADQUATE SUPERVISORY FORESTRY CONTROL MANPOWER MAY TAKE TWENTY-FIVE YEARS IF CANADIAN EXPERIENCE RELEVANT.

10. INDUSTRY. DISCUSSION FOCUSED ON CONTRIBUTION OF INDUSTRIAL DEVELOPMENT TO EMPLOYMENT CREATION. SALEH NOTED THAT FOR LOANS BELOW RP 5 MILLION UNDER CREDIT INVESTMENT SCHEME, 25 PER CENT SELF FINANCING REQUIREMENT ABOLISHED AND COLLATERAL MADE EASIER. IN RESPONSE TO IMF SUGGESTION THAT INTEREST RATE ON MEDIUM TERM CREDIT BE RAISED FROM 12 PERCENT TO 15 PERCENT, SALEH STATED GOI CONSIDERING SUCH CHANGE TO REDUCE USE OF CAPITAL AND ATTAIN OTHER OBJECTIVES BUT OBSERVED THAT SHIFT TO BTN CLASSIFICATION WILL RAISE DUTIES ON CAPITAL CONTRIBUTION OF KABUPATEN PROGRAM TO EMPLOYMENT. IN RESPONSE TO JAPANESE INQUIRY ON STATUS AND RESULTS OF INVESTMENT COORDINATING AGENCY, SALEH MENTIONED AGENCY PLANNING ESTABLISH REGIONAL BRANCHES. US ANNOUNCED THAT ITS GREATER PROVISION LOCAL COST FINANCING WOULD SUPPORT GOI EMPLOYMENT OBJECTIVES.

11. FISCAL AND MONETARY. US, IBRD, AND IMF EMPHASIZED NEED TO INCREASE NON-OIL REVENUES. UK AND US, NOTING IMPROVED PERFORMANCE IN BOP AND BUDGET RECEIPTS, RAISED QUESTION OF CONTRIBUTION OF FOREIGN AID, PARTICULARLY PROGRAM, TO SECOND FIVE YEAR PLAN. CONCERNING INFLATION, USDEL ACKNOWLEDGED RICE PRICES AS MAJOR CAUSE OF INFLATION BUT FOCUSED ON IMPORTANCE ALSO OF RECENT EXPANSION LIMITED OFFICIAL USE
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PAGE 03 THE HA 05480 02 OF 03 131617Z

IN BANK CREDIT (NEGATIVE INTEREST RATE) AND IMPACT ON MONEY SUPPLY OF FOREIGN EXCHANGE INFLOWS. US ALSO STRESSED NEED TO IMPROVE RATIO OF DOMESTIC SAVINGS TO GNP, CITING SUPERIOR PERFORMANCE KOREA, TAIWAN AND BRAZIL AT COMPARABLE STAGE. RESPONDING FOR GOI, BI GOV SALEH POINTED OUT FY 1974/75 NON-OIL REVENUES MAY BE HIGHER THAN FORECAST IF PRICE RISE CONTINUES. ON ROLE OF PROGRAM AID, SALEH NOTED REDUCED REQUEST FOR FY 1974/75 AND SAID INCREASED REVENUES SHOULD ALLOW FURTHER REDUCTION IN FUTURE. IN GENERAL HE FELT THAT GIVEN ENORMOUS NEED FOR FUNDS, AVAILABILITY OF PROJECTS, AND GROWING INSTITUTIONAL CAPABILITIES, GOI SHOULD NOT BE HASTY IN REDUCING ROLE FOREIGN ASSISTANCE. SPECIFICALLY, FOREIGN AID USEFUL IN SUPPORTING SHIFT OF FINANCE FOR LOCAL ENTREPRENEURS FROM BANKING SYSTEM TO BUDGET. ON BANK CREDIT EXPANSION, SALEH REFERRED TO IBRD REPORT STATEMENT ON LACK

OF CLEAR POLICY ALTERNATIVES. SALEH DECLARED INFLATION PROBLEM A SERIOUS ISSUE BUT MENTIONED NECESSITY FOR MONETARY ACCOMMODATION OF RISING IMPORT PROCES AND HIGH LEVEL ECONOMIC ACTIVITY. HE SAID THAT IN CONTROLLING EXCESS DEMAND BUDGET MAY BE BETTER VEHICLE THAN MONETARY POLICY. ON NEGATIVE INTEREST RATE, SALEH SAID HE WAS REALLY IN A SPOT ESPECIALLY IF INFLATION CONTINUES. ON NATIONAL SAVINGS, HE SAID (WITHOUT EXPLANATION) THAT COMPARISONS WITH KOREA, TAIWAN, BRAZIL, ETC. MAY NOT BE RELEVANT FOR INDONESIA. HE REVIEWED SAVINGS SCHEMES AND PLANS FOR CAPITAL MARKET DEVELOPMENT. DURING DISCUSSION, IMF REPEATED SUGGESTION TO SHIFT MEDIUM TERM CREDIT FUNDING FROM BI TO BUDGET IF BOP CONTINUES IMPROVE.

12. TRADE. CHAIRMAN PRONK INITIATED DISCUSSION FROM VIEWPOINT OF DONOR TRADE POLICIES AFFECTING INDONESIAN ECONOMIC DEVELOPMENT. INDONESIAN DELEGATION REVIEWED TARIFF AND NON-TARIFF BARRIERS TO EXPORTS. UK, SWISS AND OTHER DELEGATIONS STATED THAT INDUSTRIAL NATION TRADE POLICIES NOT APPROPRIATE TOPIC FOR IGGI CONSIDERATION. PRONK RIPOSTED WITH DENIAL OF INTENT TO REACH ANY DECISION IN IGGI BUT STRESSED IGGI EXPERTISE IN CONSIDERING RELATIONSHIP BETWEEN TRADE POLICY AND AID.

13. BALANCE OF PAYMENTS. JAPANESE DEL, AFTER NOTING INDONESIA'S REAPIDLY IMPROVING BOP POSITION, SUGGESTED NEED FOR CONTINUING SCRUTINY BOP SITUATION AND IMPLICATIONS FOR AID LEVELS. OF ALL DELEGATIONS, JAPANESE MOST PUBLICLY CONCERNED THIS ISSUE. AUSTRALIA ASKED WHAT PORTION OF 1973/74 DEBT SERVICE (\$252 MILLION IN PARA 107 IBRD REPORT) COULD BE ASCRIBED TO PERTAMINA. GOI RELIED LIMITED OFFICIAL USE
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PAGE 04 THE HA 05480 02 OF 03 131617Z

ON IBRD FOR ANSWER, VIZ, ABOUT \$100 MILLION. WHEN AUSTRALIANS PROBED INTO FUTURE YEARS RE THIS TOPIC, SALEH SIMPLY REFERRED TO IMF REPORT ON FUTURE-YEAR DEBT SERVICE AND ADDED TH
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PAGE 01 THE HA 05480 03 OF 03 131633Z

46
ACTION EA-14

INFO OCT-01 EUR-25 IO-14 ISO-00 IGA-02 AGR-20 CEA-02

CIAE-00 COME-00 DODE-00 EB-11 FRB-02 H-03 INR-10

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LIMITED OFFICIAL USE SECTION 3 OF 3 THE HAGUE 5480

15. PROPOSED LEVEL OF FOREIGN ASSISTANCE. IGGI CHAIRMAN PRONK RESTATED AID LEVELS REQUESTED BY GOI AND ASKED FOR COMMENTS AND DISCUSSION PRIOR TO ANY PLEDGING. USDEL NOTED AGREEMENT WITH BANK AND FUND SUPPORT OF AID REQUEST LEVEL. HE COMMENTED ON CONTINUING INDONESIAN NEED FOR ASSISTANCE AND INDICATED US WILLINGNESS TO MAKE PLEDGE. SINCE US AID LEGISLATION WOULD REQUIRE FUNDING OF SOCIAL SECTOR ACTIVITIES IT WAS HOPED THERE WOULD BE INCREASED PROJECT PREPARATION IN THESE AREAS. NETHERLANDS SUPPORTED LEVEL OF REQUEST NOTING NEED FURTHER DISCUSS PROJECT LIST, AND UK THOUGH SUPPORTING TOTAL LEVEL QUESTIONED PROGRAM AID COMPONENT IN VIEW OF INDONESIAN IMPROVED ECONOMIC POSITION. ADB SUPPORTED THE LEVEL BUT WOULD BE UNABLE MAKE COMMITMENT OF ANY SPECIFIC LEVEL AND NOTED INDONESIA LARGEST RECIPIENT ADB LENDING. GERMANY INDICATED LEVEL OF REQUEST REASONABLE DESPITE VERY FAVORABLE BALANCE OF PAYMENT AND RESERVE POSITION.

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PAGE 02 THE HA 05480 03 OF 03 131633Z

16. JAPANESE NOTED THAT PROGRAM AID NEEDED FOR CONTINUED ECONOMIC STABILITY BUT FELT IT SHOULD DECREASE WITH IMPROVED ECONOMIC DEVELOPMENT. NO RICE WOULD BE AVAILABLE FROM JAPAN. ALTHOUGH MUCH IMPROVED, PROJECT EXECUTION WOULD HAVE TO IMPROVE STILL MORE IN ORDER TO ABSORB LARGE PROPOSED INCREASE. IN ADDITION, JAPAN SAID INCREASED PROJECT ASSISTANCE REQUEST COULD NOT BE JUSTIFIED WITHOUT STUDYING RELATIONSHIP OF REQUEST TO INVESTMENT LEVELS OF SECOND PLAN. FINALLY, THEY MADE RELATED STATEMENT THAT POWERS OF BAPPENAS "AS A COORDINATING BODY" MUST BE STRENGTHENED. ALTHOUGH JAPAN DID NOT DISPUTE FINAL IGGI COMMUNIQUE WHICH ENDORSED \$850 MILLION REQUEST, WE HEARD NO DIRECT ENDORSEMENT IN THEIR STATEMENTS DURING PROCEEDINGS AND NOTED THAT THEY RAISED QUESTIONS ABOUT EACH ELEMENT OF THE REQUEST (PROGRAM, FOOD, PROJECTS).

17. INDONESIAN DEL SAID THAT 1973/74 PROJECT AID COMMITMENTS ACTUALLY AT \$540 MILLION LEVEL, THEREFORE INCREASE TO \$550 MILLION NOT SO GREAT AND GAVE ASSURANCE GOI WOULD CONTINUE TO IMPROVE IMPLEMENTATION.

18. PLEDGES. A) NETHERLANDS PLEDGED 166 MILLION GULDERS (\$60 MILLION) WITH 89 MILLION IN GRANTS FOR DK AND TECHNICAL ASSISTANCE (5 MILLION) AND 77 MILLION FOR PROJECT LOANS DAC TERMS. FOOD AID WOULD BE 12,000 TONS GRANT WHEAT. AUSTRALIA NOTED THIS WAS SECOND YEAR OF ITS THREE-YEAR COMMITMENT OF US \$105 MILLION WITH

APPROXIMATELY \$35 MILLION TO BE DISBURSED IN 1974/75.

B) US DELEGATE NOTED US LEVEL OF AID RESOURCES AT ALL TIME LOW BUT US INTENDS MEET ONE-THIRD OF TOTAL BILATERAL AID REQUEST BUT UNABLE GIVE BREAKDOWN OF COMPONENTS AT THIS TIME. IT WAS ALSO ANNOUNCED THAT US WOULD BE WILLING FINANCE PORTION OF LOCAL COSTS, DECISIONS TO BE TAKEN ON PROJECT-BY-PROJECT BASIS.

C) GERMANY, AUSTRIA AND FRANCE UNABLE TO PLEDGE AT THIS TIME.

UK AND BELGIUM COULD NOT GIVE PRECISE

FIGURES BUT EXPECT TO AT LEAST MAINTAIN AID LEVEL. UK EXPECTS TO INCREASE TECHNICAL ASSISTANCE AND PROJECT AID BUT DECREASE PROGRAM AID. CANADA PLANS INCREASE AID. NEW ZEALAND ANNOUNCED PROJECT PLEDGE OF 2.5 MILLION NEW ZEALAND DOLLARS. PROGRAM AID LEVEL NOT AVAILABLE. SWISS ANNOUNCED SIGNING OF 27 MILLION FRANC WATER SUPPLY LOAN ON SOFT TERMS. ITALY HOPED MAKE US \$10 MILLION LOAN PLUS \$7 MILLION GRANT FOOD AID ON TERMS 25/7/3 PERCENT. IBRD PLANNING ON \$150 MILLION FOR PROJECTS.

D) IN SUM, SIX MEMBERS PLEDGED (US, NETHERLANDS, AUSTRALIA, N. ZEALAN LIMITED OFFICIAL USE
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PAGE 03 THE HA 05480 03 OF 03 131633Z

D, IBRD,

AND ITALY).

THIS IS MORE THAN USUAL FOR DECEMBER SESSION.

19. TERMS AND CONDITIONS OF FOREIGN ASSISTANCE. JAPANESE NOTED THEY HAD IMPROVED TERMS BY UNTYING TO ENABLE PROCUREMENT IN DEVELOPING COUNTRIES AND WOULD CONTINUE SEEK INTERNATIONAL AGREEMENT ON UNTYING. SWISS STATED THEIR AID COMPLETELY UNTIED AND AUSTRALIANS STATED AID ALL UNTIED GRANT. GERMANY UNTIED COMMODITY AID THIS YEAR FOR FIRST TIME. FOR PROJECT AID HOPED PROGRESS COULD BE MADE AMONG DONORS ON INTERNATIONAL PUBLIC TENDER ARRANGEMENTS. UK NOTED THEIR SUPPORT FOR INTERNATIONAL AGREEMENT ON UNTYING. IBRD AND IMF WELCOMED IMPROVED TERMS, ESPECIALLY INDICATION OF LOCAL CURRENCY FINANCING BY SOME DELEGATIONS. IBRD DELEGATE POINTED OUT PROBLEM OF TAXES IMPOSED ON LOCAL PROCUREMENT AND SALEH REPLIED THAT GOI SEEKING METHOD TO COMPENSATE. IT QUITE CLEAR THAT MANY DONORS MOVING FORWARD ON UNTYING AND/OR LOCAL COST FINANCING IN SOME FORM OR OTHER. USDEL MADE NO STATEMENT HERE, BUT IN ANOTHER CONTEXT CITED US WILLINGNESS TO FINANCE LOCAL COSTS ON PROJECT-BY-PROJECT DECISION BASIS.

20. IMPLEMENTATION OF FOREIGN ASSISTANCE. SALEH STATED GOI HAD NO PARTICULAR PROBLEMS WITH DK UTILIZATION BUT WAS SEEKING FURTHER STREAMLINING OF PROJECT AID. FRANCE COMMENTED PROGRAM AID UTILIZATION IMPROVED. USDEL SAID US DEEPLY REGRETS BEING UNABLE PROVIDE FOOD PORTION OF 1973/74 PLEDGE, BUT NON-FOOD AID GOING FORWARD AND 73/74 PLEDGE WILL BE MET.

21. PRONK STATED IN CHAIRMAN'S REPORT (WHICH IS NOT MADE PUBLIC) HE WOULD ADD ONLY THREE POINTS TO BASIC TEXT PRESS COMMUNIQUE: NEED FOR GOI TO RE-ASSESS INTEREST RATE POLICY; NEED TO INCREASE NON-OIL REVENUES THROUGH TAXES BASED ON ABILITY

TO PAY; AND DESIRABILITY DONORS FINANCE GOI RICE PURCHASES IN OTHER
ASIAN COUNTRIES. RE FIRST TWO POINTS PARALLEL STATEMENTS MADE
BY USDEL EARLIER IN PROCEEDINGS.

22. IN FINAL SESSION, WIDJOJO CHOSE TO ALLUDE OBLIQUELY TO PRONK'S
EARLIER REMARKS ON POLITICAL PRISONERS BY REFERRING TO PRONK
OPENING STATMENT AND OBSERVING VAGUELY THAT ANY SEMBLANCE OF
IMPOSITION OF CONDITIONS SHOULD BE AVOIDED IN IGGI DELIBERATIONS.
PRONK RESPONDED WITH EQUALLY VAGUE REMARKS TO EFFECT NO QUESTION
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PAGE 04 THE HA 05480 03 OF 03 131633Z

OF IMPOSITION OF CONDITIONS, ONLY GOOD DIALOGUE SOUGHT, AND THAT
WAS ACHIEVED IN CONFERENCE.

23. BOTH PRONK AND WIDJOJO SUBJECTED TO SOME HOSTILE QUESTIONS,
IN PRESS CONFERENCE FOLLOWING FINAL SESSION, BY AMNESTY INTERNATIONAL
REPS WHO OFF AND ON HAD PICKETED CONFERENCE OUTSIDE BUILDING.
PRONK FIELDDED QUESTIONS ON POLITICAL PRISONERS BY ALLUDING REPEATEDLY
TO HIS OPENING STATEMENT AND NOTING MATTER NOT ON AGENDA.

24. NEXT IGGI MEETING SCHEDULED FOR MY 7-8, 1974.
TANGUY

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Concepts: n/a
Control Number: n/a
Copy: SINGLE
Draft Date: 13 DEC 1973
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: hilburpw
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
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Review Comment: n/a
Review Content Flags:
Review Date: 19 SEP 2001
Review Event:
Review Exemptions: n/a
Review History: RELEASED <19-Sep-2001 by kelleyw0>; APPROVED <01-Oct-2001 by hilburpw>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: REPORT ON 15TH MEETING OF INTER-GOVERNMENT GROUP ON INDONESIA, DEC 11-12, 1973
TAGS: EAID, ID
To: STATE INFO TOKYO
JAKARTA
USUN N Y
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005